Sask - Dept Repts
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Annual Report 1982

SASK. LEGISLATIVE LIBRARY
REGINA

Report of Activities
For the Fiscal Year
Ended March 31, 1982

Hon. Eric Berntson
Minister of Agriculture

Jack Drew
Chairman, Board of Directors

REGINA, Saskatchewan
July, 1982

His Honour C. Irwin McIntosh
Lieutenant Governor,
Province of Saskatchewan

Sir:

I have the honour to present the Ninth Annual Report of the Saskatchewan FarmStart Corporation for the fiscal year ended March 31, 1982.

I have the honour to be, Sir,
Your Obedient Servant,

Eric Berntson,
Minister of Agriculture,
Minister-in-Charge
Saskatchewan FarmStart Corporation

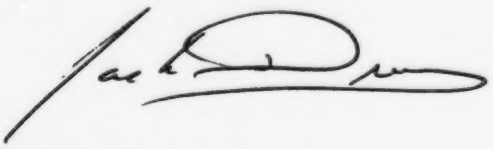
REGINA, Saskatchewan
July, 1982

Honourable Eric Berntson
Minister of Agriculture
Minister-in-Charge
Saskatchewan FarmStart Corporation

Sir:

Presented herewith is the Ninth Annual Report of the Saskatchewan FarmStart Corporation for the fiscal year ended March 31, 1982.

I have the honour to be, Sir,
Respectfully Submitted,



Jack Drew
Chairman, Board of Directors
Saskatchewan FarmStart Corporation

REGINA, Saskatchewan
July, 1982

Mr. J. Drew, Chairman
Saskatchewan FarmStart Corporation

Sir:

Loan approvals continued at a high level in 1981-82. During the year, 880 loans were approved for $38.5 million.

FarmStart achieved a major objective this year when the province's Market Share Quota was fully allocated. FarmStart has been the major factor in the government's efforts to maximize dairy production. By the close of the fiscal year, loans totalling $43 million had been made to over 60% of dairy producers. To ensure the province remains at full capacity, FarmStart will continue to assist producers who wish to enter or expand dairy production.

Farmers generally have faced economic problems with depressed prices, increasing costs and even severe weather conditions in the past year. Perhaps the most notable factor has been the high commercial interest rates with bank prime peaking at 22¾% during the year.

These economic problems forced many producers to alter plans for expanded livestock or irrigation production. In many cases such plans were scaled down or postponed until better times. This economic climate served to highlight the benefits offered by FarmStart. Low, fixed interest rates, together with extended and flexible repayment terms allowed many applicants to show viability for their proposal which would have been rejected by commercial lenders.

FarmStart's program of providing considerable counselling resources to developing producers has also proven worthwhile. As an indicator, the proportion of loans in arrears remained essentially unchanged during the year. Producers with problems were offered financial and management counselling to identify solutions.

With the announcement of the Beef Stabilization Plan, considerable interest was expressed by farmers in the financial assistance available from FarmStart to producers wishing to finish their calves. Counselling was provided to many producers and loans were made, both for facilities and for holding back calves to be finished.

During the eight years since FarmStart was established, it has become the primary lender for livestock and irrigation operations in the province. Having financed 4,845 farm families, FarmStart takes pride in being a major part of the province's rural development plan.

Layne Hetland
General Manager,
Saskatchewan FarmStart Corporation

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I. ORGANIZATION

The Saskatchewan FarmStart Corporation is a crown corporation established under The Agricultural Incentives Act. Responsibility for the Corporation rests with the Minister of Agriculture.

The affairs of the Corporation are managed by a Board of Directors, consisting of two or more persons, appointed by the Lieutenant Governor in Council. The Act also provides that the Minister may appoint an Advisory Council of at least seven members. This council was first established in 1980.

The head office of the Corporation is in Regina with regional offices located in North Battleford, Tisdale, Yorkton, Watrous, Swift Current and Weyburn. District offices are located in Meadow Lake, Shellbrook, Prince Albert, Kelvington, Strasbourg, Saskatoon, Outlook, Kindersley, Moose Jaw, Assiniboia and Indian Head.

II. PROGRAMS ADMINISTERED BY THE SASKATCHEWAN FARMSTART CORPORATION

The Saskatchewan FarmStart Corporation is one of the province's major agricultural programs aimed at maintaining the maximum number of family farms at adequate income levels. The Corporation provides a comprehensive agricultural credit program which combines both financial assistance and responsive counselling and training programs.

The Corporation is designed to assist smaller and beginning farmers to develop profitable farm operations by intensifying production through livestock and irrigation enterprises. This kind of intensification is a necessary part of increasing returns per acre of land thus removing the need of an ever increasing land base.

A. LOAN AND GRANT PROGRAM

1. Operation

a. Criteria

FarmStart can provide credit and grants to farmers establishing or expanding livestock production or going into irrigation production.

Persons who receive assistance must make farming their principal occupation or already be farming. They must be Canadian citizens or landed immigrants, and must maintain or establish a permanent residence in Saskatchewan for the term of the loan.

Applicants must have a net worth of less than $144,000 and must be earning less than $18,000 net income per year.

b. Purpose

FarmStart assistance may be used for:

1. Purchasing breeding stock or withholding female livestock to establish or expand breeding herds. Livestock includes beef, dairy, swine, sheep, poultry, bees, P.M.U., goats, or fur bearing animals raised in captivity;

2. Clearing, breaking, regrassing grazing lands or seeding cultivated land to perennial forage crops to increase grazing or feed supplies for additional livestock production;

3. Purchase or construction of, or renovations to buildings, making improvements or additions such as fencing and water supplies;

4. Purchasing equipment which is essential to livestock production, including forage equipment. Equipment which can be used for grain production does not qualify. Assistance is available through other lenders for the purchase of such items;

5. Purchasing feeder hogs for finishing operations being established or expanded on a permanent basis;

6. Land levelling for irrigation and irrigation equipment purchases, as well as specialized equipment for seeding, harvesting, storage or processing of irrigated crops and vegetables.

c. Loan Amounts

The maximum loan to an individual is generally $150,000. However, in S.S.R.I.D. #1, irrigation loans may be for up to $180,000.

d. Interest Rates

For the first $90,000 of the loan, or that portion which brings the applicant's productive assets to no more than $250,000, the interest rate charged is 10% for the first five years and 12% for the balance of the term of the loan or until the loan and the interest thereon has been paid in full.

For that portion of the loan which exceeds $90,000, or which brings the applicant's productive assets to more than $250,000, the interest rate charged is 14% for the full term of the loan.

Irrigation farmers inside the S.S.R.I.D. #1 may obtain a loan under the above terms, or, if they intend to irrigate at least 100 acres, they may use the special irrigation terms provided for the S.S.R.I.D. #1.

Under these terms, the maximum loan is $180,000 or that amount which would bring the individual's productive assets to $400,000, whichever is the lesser. The interest rate on the total loan is 10% for the first five years and 12% for the balance of the term of the loan, or until the loan is paid in full.

FarmStart interest rates have changed over time. From November 1, 1973 to September 30, 1976 all loans were at 6%.

After this period, rates were split between the first five years and the balance of the term. From October 1, 1976 to March 31, 1978, loans were at 7% for the first five years and 9% for the balance of the term. From April 1, 1978 to March 31, 1980, loans were similarly made at 6¾% and 8¾%.

On April 1, 1980, a second level of interest rates were introduced for larger loans. From April 1, 1980 to May 31, 1981, rates on subsidized loans were 8% for five years, then 10%. Non-subsidized loans were at 12½% for the full term of the loan. On June 1, 1981, rates were changed to the present levels.

e. Security

While FarmStart generally requires less security than other lenders, an adequate level is expected in order to secure public funds.

Security may include assets acquired with loan and grant funds. Also, security may be in the form of land mortgages. Where a new applicant cannot raise sufficient security by way of real property, FarmStart may accept guarantees on behalf of the applicant.

All loans must be life insured. FarmStart offers a group life insurance plan, although other life insurance plans are also acceptable.

f. Grants

FarmStart grants were made available during the year to persons who lack the necessary capital to develop an economic farming unit. Grants are available to persons with a net worth of less than $36,000. FarmStart grants are only given where an applicant undertakes the establishment or expansion of a livestock or irrigation operation. The maximum grant is the lesser of $8,000 or one quarter of the cost of expansion or one half the difference between net worth and $36,000.

g. Repayment Terms

The maximum loan term is 15 years. For beef and hogs, flexible repayments, which are optional, are calculated according to a formula which takes into account both product prices and production costs. Repayments are reduced in periods of low prices and increased in periods of high prices. Increased payments are only maintained until the deficiency is made up.

h. Application Procedures

Information on FarmStart is available from FarmStart staff who are located throughout the province. Department of Agriculture staff, including Agricultural Representatives, also provide information.

Applicants must first complete a form to determine eligibility. If eligible, the applicant must then complete a farm plan and other detailed budgets. Assistance is available from FarmStart field staff to complete these plans which indicate the potential to develop an economically viable farm unit.

Once the applicant has completed the farm plan and other budget material, FarmStart field staff will review the package and make a decision on the loan.

Applicants should not expect to receive instant credit where long term planning is required to obtain an adequate loan. While applications are processed as quickly as possible, individuals should not expect to receive loan approval in a period of less than five weeks from the date on which qualification is established.

If there are complicating factors, such as multiple operator units or operating agreements, the time involved for loan approval may extend beyond the five week period.

Applicants are cautioned about buying items before receiving final loan approval. Although FarmStart may give consideration to refinancing previous loans, the Corporation will not accept responsibility for purchases made prior to loan approval.

Once the loan agreement has been completed, funds may be advanced to the applicant, provided that the required security is available. Funds are disbursed through the regional office upon presentation by the client of bills verifying that the expenditure has been incurred and is consistent with the proposal presented by the applicant to FarmStart.

i. Operating Credit

In addition to the capital funds provided by FarmStart, many clients need operating credit to enable them to carry out their proposals. Therefore, the Corporation may offer to guarantee an operating loan the client receives from a commercial lender. These guarantees are only available to those with FarmStart capital loans.

Operating loan guarantees are based on cash flow projections completed by the client and field staff. If a guarantee is to be provided, the client will be given a guarantee form to take to the commercial lender of his choice. The form will specify the amount and duration of the guarantee as well as the security to be taken.

2. Assistance Provided

a. Loan Approvals

During the 1981-82 fiscal year, FarmStart approved 880 loans for an average of 16.9 loans per week. The majority, 603, were first applications, while 218 were second applications and 59 were third or subsequent applications.

Loans of $36,989,381.56 and grants of $1,540,854.19 resulted in assistance totalling $38,530,235.75 being provided.

The average approval was $43,784.36. This was made up of $42,033.39 in loans and $1,750.97 in grants.

Grants were provided with 251, or 29% of the 880 loans. The average grant was $6,138 per recipient.

Since the beginning of the program, FarmStart has approved in excess of $216 million, including $195 million in loans and $21 million in grants. A total of 4,845 borrowers have received assistance.

b. Use of Loan and Grant Funds

Beef: In 1981-82, beef enterprises accounted for 417 or 47% of approvals, totalling $16,397,651.69 including $15,480,653.94 in loans and $916,997.75 in grants.

The average beef approval was $39,322.91, up from the 1980-81 average of $36,952.49.

Funds were disbursed for beef enterprises as follows: 71% for livestock, 16% for machinery and equipment and 6% for buildings and improvements.

Holding: In 1981-82, 53 holding loans were approved to assist individuals for beef finishing operations. A total of $522,724.00 was approved for an average loan amount of $9,862.72.

Hogs: In 1981-82, hog enterprises accounted for 129 or 15% of approvals and received $4,671,064.78 in loans and $151,119.44 in grants for a total of $4,822,184.22. These loans were used to assist with the establishment or expansion of farrow-to-finish, farrowing, or finishing enterprises. The average expansion was $37,381.27 which is higher than the average of $31,762.89 in 1980-81.

Funds were disbursed for hog enterprises as follows: 71% for buildings and improvements, 13% for livestock and 12% for machinery and equipment.

Dairy: During the year, 149 dairy loans were approved for $8,927,084.94 along with $255,698.00 in grants for a total of $9,182,782.94. The average approval was $61,629.41 which was an increase over the 1980-81 average of $58,149.09.

Funds were disbursed as follows: 47% for buildings and improvements, 37% for livestock, and 7% for machinery and equipment.

Bees: During the year, 32 bee loans were approved for $1,494,547.13 along with $47,872.00 in grants for a total of $1,542,419.13. The average approval was $48,200.59 which is slightly less than the 1980-81 average of $50,552.93.

Funds were disbursed as follows: 80% for buildings and improvements, 10% for machinery and equipment and 9% for bees.

Irrigation: In 1981-82, 76 loans were approved for irrigation purposes. The 14 approvals within the S.S.R.I.D. #1 totalled $1,074,640.00 for an average of $76,760.00. Irrigation approvals outside the S.S.R.I.D. #1 totalled $3,749,289.13 for an average of $60,472.41.

Almost all funds disbursed were for machinery and equipment and 4% of the funds were disbursed for buildings and improvements.

Sheep: During the year, 9 sheep operations were approved for a total of $503,007.00 for an average of $55,889.67. The average loan was $53,285.56 with the average grant being $2,604.11.

Funds were disbursed as follows: 71% for livestock, 16% for machinery and equipment, and 10% for buildings.

Poultry: During the year, 10 poultry operations were approved for a total of $584,758.64 for an average of $58,475.86. The average loan was $56,875.86 with an average grant of $1,600.

Funds were disbursed as follows: 78% for buildings and improvements and 16% for livestock.

Cumulative Totals: As of March 31, 1982, FarmStart had approved assistance for 4,845 clients who had 6,952 loans for a total of over $216 million.

Beef loans made up 50% of the loan activity with net approvals approaching $100 million.

Dairy loan expansions were second with net approval of funds of approximately $43 million for 22% of the total.

The three enterprises of beef, dairy and hogs accounted for 85% of net approval of funds to date.

The other approvals for farm enterprises were distributed as follows:

77 approvals for poultry enterprises for a total of approximately $3.5 million.

77 approvals for sheep enterprises for a total of approximately $2.5 million.

144 approvals for bee enterprises for a total of approximately $6.2 million.

83 approvals in S.S.R.I.D. #1 for irrigation operations for a total of over $3.1 million.

120 approvals for irrigation operations throughout the province for a total approaching $7.3 million.

15 approvals were made for fur bearing enterprises totalling approximately $850 thousand.

16 approvals for P.M.U. operations for a total of over $300 thousand.

FARMSTART CLIENTS

The Saskatchewan FarmStart Corporation was created to assist young and developing farmers. To evaluate the effectiveness of FarmStart's programs and services upon its target group, a study was undertaken to determine the economic and social status of those applying for agricultural credit. The study is based on the 617 applications received in 1981.

Beginning Farmers

The average age of farmers in this category was 25 years.

Of the total of 617 clients, 158 individuals were classified as beginning farmers in that they reported very little gross or net income from farm sources. The average of their gross assets was $64,832. The net worth average was $27,965.

Short term debt averaged $3,513, while long term debt was $33,476. Non-farm income was $10,734 while the average net farm income was a negative $1,638.

The average land base was 516 acres which consisted of 68 acres owned, with the remaining 448 acres rented.

The average applicant in this group received loans and grants of $88,356. For specific enterprises, the averages were $99,111 for hog operations, $57,950 for beef enterprises and $138,769 per dairy farmer.

Expanding Farmers

The average age of the 459 individuals who were expanding their farm units was 28 years.

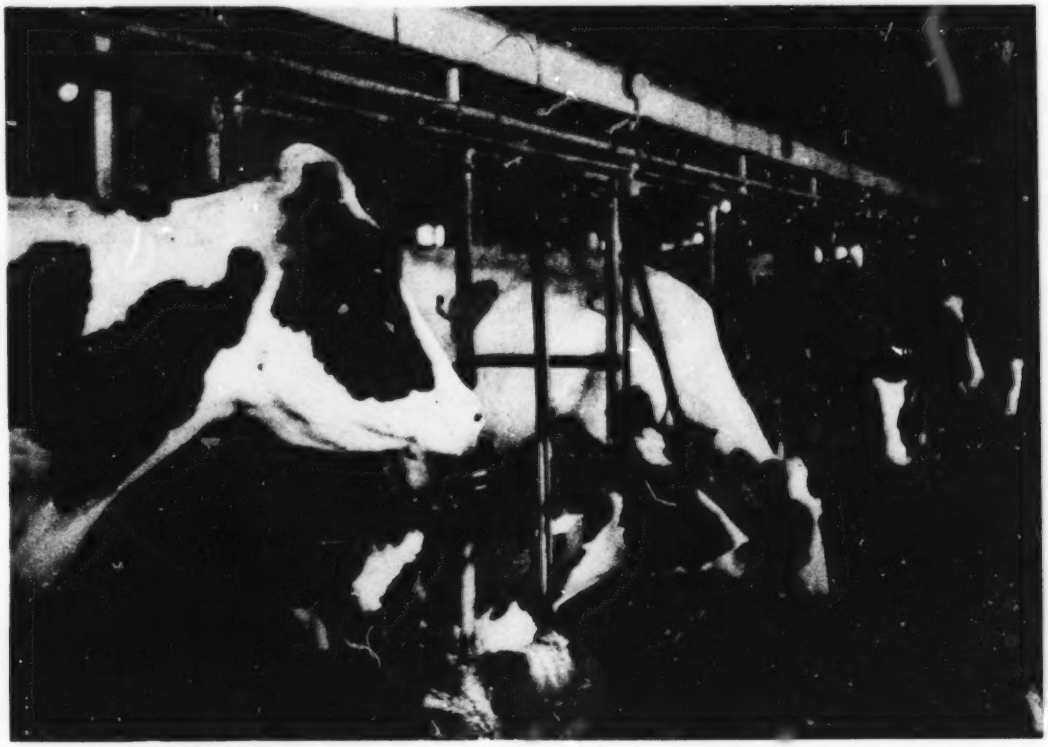
Gross farm income was $22,278 with a net farm income of negative $3,066. Non-farm income was $5,514 per individual.

The average of gross assets was $133,155, and the average net worth was $60,152.

Short term debt averaged $8,376, with long term debt at $64,146.

The average farm size was 852 acres with 264 being owned while the remaining 588 acres were rented.

The average applicant in this group received loans and grants totalling $70,527. For specific enterprises, the averages were $88,774 for hog farmers, $52,008 for beef farmers and $118,041 for dairy operators.



SASKATCHEWAN FARMSTART CORPORATION
CREDIT ACTIVITY

Year	Number	Loans	Grants	Total
1973-74	844	$ 18,478,824	$ 4,042,760	$ 22,521,584
1974-75	1,192	25,383,824	5,268,640	30,652,464
1975-76	639	12,996,411	2,648,016	15,644,427
1976-77	348	8,091,300	1,322,666	9,413,966
1977-78	379	10,600,107	1,076,082	11,676,189
1978-79	375	12,891,656	1,370,601	14,262,257
1979-80	658	25,050,263	1,953,457	27,003,720
1980-81	1,059	44,270,642	2,202,218	46,472,860
1981-82	880	36,989,382	1,540,854	38,530,236
		$194,752,409	$21,425,294	$216,177,703

Pre 1977-78: Application Approvals
Post 1978-79: Loan Approvals

SASKATCHEWAN FARMSTART CORPORATION

Loan and Grant Approvals by Region
For the year ended March 31, 1982 and the year ended March 31, 1981

	Number		Amount	
Region	**1982**	**1981**	**1982**	**1981**
Weyburn	122	193	$ 5,319,379	$ 7,880,524
Swift Current	152	215	6,693,695	9,860,863
Yorkton	95	141	3,630,877	5,629,453
Watrous	211	196	10,778,918	9,945,806
Tisdale	112	137	4,301,566	5,606,130
North Battleford	188	177	7,805,801	7,550,084
Total	880	1,059	$38,530,236	$46,472,860

Loans and Grants Approved by Type and Region
For the Year Ended March 31, 1982

Region	**Hogs**	**Beef**	**Dairy**
Weyburn	$ 72,546	$2,825,337	$2,117,164
Swift Current	547,853	3,927,002	1,351,827
Yorkton	331,181	1,134,133	1,768,086
Watrous	1,423,845	3,371,053	1,460,253
Tisdale	1,376,583	1,240,360	557,800
North Battleford	1,070,176	4,422,491	1,927,653

Region	**Irrigation**	**S.S.R.I.D. Irrigation**	**Other**
Weyburn	$ 50,000	$ —	$254,332
Swift Current	583,268	—	283,745
Yorkton	216,944	—	180,533
Watrous	2,742,027	1,074,640	707,100
Tisdale	157,050	—	969,773
North Battleford	—	—	385,481

REPAYMENT BY LOAN AND GRANT PROGRAM

During the fiscal year, 553 clients and 810 loans reached the date of first payment making the total number of clients now on repayment 3,612. Loans on repayment have risen to 5,423.

The time of first repayment depends upon the nature of the farmer's enterprise. In cases where the cash returns of the enterprise will not begin for some time, the first repayment may be delayed as much as three years after the date of the first drawdown on the loan. Regular payments are made on a monthly, quarterly, semi-annual or annual basis.

Repayment terms can be to a maximum of 15 years with special flexibility of repayment related to the prices of products being produced. This special flexible repayment option applies only to cattle and hog loans. Within a range of normal prices, normal repayment rates will be required.

The flexible payments for beef enterprises of 1981-82 were 100% for all four quarters. The levels of 100% are down from the levels of 160% for the second and third quarter of 1980 and the same as the levels for the fourth quarter of 1980 and the first quarter of 1981.

Approximately 475 of the 2,585 clients having beef loans were still on flexible repayment. The amount is continuing to decline as many farmers have repaid the accrued portions of their accounts and are now back to normal repayment.

The flexible payments for hog enterprises dipped to 90% during the second quarter of 1981-82 but increased to 112% during the third quarter before returning to 100% of normal. Hog payments continue to remain stable because the benefits of the Saskatchewan Hog Assured Returns Program are included in calculating producer returns.

B. GUARANTEED LOAN PROGRAMS

In addition to the assistance which is available to farmers from FarmStart under the loan and grant program, assistance is also available through loan guarantees.

1. Livestock Loans Guarantee Act (L.L.G.A.)

The Livestock Loans Guarantee Act provided loan guarantees and interest subsidies to farmers purchasing female cattle and sheep. Borrowers were paid a grant to offset any interest charge over 7% during the first three years of their loans.

The program was terminated as of August 31, 1974 and on April 1, 1975, administration of the program was placed under FarmStart (see Financial Statements, Note 8).

As of March 31, 1982, a total of $140,391 was still outstanding in guarantees under this program, representing some 69 borrowers.

Since the last loans under the L.L.G.A. were approved in 1974, farmers who received loans in that year continued to be eligible for interest subsidies on those loans for the year ended 1977, while final repayment of the loans was due in 1981.

During the fiscal year, the Provincial Government paid out $573 in interest subsidy to farmers, bringing the total amount paid out in interest subsidy since the beginning of the program in 1969 to $1,156,599.

2. FarmStart Guaranteed Livestock Loans (F.G.L.L.)

On October 15, 1974, the FarmStart Guaranteed Livestock Loans under The Agricultural Incentives Act, came into being replacing the L.L.G.A. program.

Maximum loans under the new F.G.L.L. were increased from the limits under the L.L.G.A. Loan limits under the F.G.L.L. are $12,000 for individuals, $24,000 for multiple operator units, consisting of two individuals, and $36,000 for multiple operator units of three or more individuals.

There is no interest subsidy payment under the F.G.L.L., but lending institutions are limited to charging a maximum two percent above their prime interest rates.

Lenders are encouraged to make loans because they are guaranteed by the provincial government that if they experience a loss, eighty percent of the loss will be covered by the provincial government.

The repayment period is seven years and no payments are due on principal for two years after the date of the loan. Under the F.G.L.L., the farmer goes to any commercial lender to make application.

Loan purposes are limited to the purchase of female cattle and sheep for breeding purposes.

At the end of the fiscal year, $720,227 was outstanding in the guarantees under the program to 187 borrowers.

3. FarmStart Guaranteed Operating Loans (F.G.O.L.)

To assist those clients who have obtained a capital loan and who lack the necessary finances to meet immediate cash flow requirements, FarmStart provides guaranteed operating loans which are obtained from the lending agency of the borrower's choice.

As of March 31, 1982, $266,425 was outstanding on 45 guaranteed operating loans.

C. BEEF INDUSTRY ASSISTANCE PROGRAMS

In the fall of 1974, beef prices were low for both fed cattle and calves. Cattlemen were experiencing considerable losses and it was feared that wide spread herd reductions would critically reduce the potential size of the breeding herd for future years.

In October, 1974, FarmStart introduced a one year interest free loan to cow-calf producers. As prices had not improved in 1975, another one year loan was provided. Finally in 1976, the loan program was combined with grants. During the three year period, loans totalling over $167 million were made involving an interest subsidy of $14.86 million and the 1976 grants totalled $31 million.

As of March 31, 1982, there was $1,059,919 outstanding under these loan programs.

SASKATCHEWAN FARMSTART CORPORATION

FINANCIAL STATEMENTS
Year ended March 31, 1982

OFFICE OF THE PROVINCIAL AUDITOR
REGINA, SASKATCHEWAN

Financial Statements

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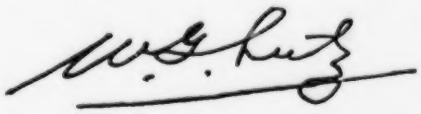
AUDITOR'S REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of FarmStart as at March 31, 1982 and the statements of revenue, expenditure and accumulated deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of FarmStart as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
July 7, 1982.

W. G. Lutz, F.C.A.,
Provincial Auditor.

FARMSTART
BALANCE SHEET
March 31, 1982
(with comparative figures at March 31, 1981)

ASSETS	1982	1981
Bank and short-term investments	$ 7,775,182	$ 1,934,768
Appropriations receivable — Province of Saskatchewan	—	100,000
Accounts receivable and accrued interest on loans	6,690,996	4,522,978
Loans receivable:		
Cash advances, net of allowance for losses (1982 — $702,118; 1981 — $1,449,251) (Notes 3 & 5)	357,801	403,294
FarmStart loans, net of allowance for losses (1982 — $2,543,756; 1981 — $2,067,989) (Notes 4, 5 & 10)	127,110,524	98,350,202
Total loans receivable	127,468,325	98,753,496
Office equipment at cost	76,784	71,498
Total assets	$ 142,011,287	$ 105,382,740
LIABILITIES AND PROVINCE'S EQUITY		
Liabilities:		
Accounts payable and accured expenses	$ 3,860,717	$ 2,746,529
Unexpended grants — Province of Saskatchewan (Note 6)	2,131,628	875,422
Loans payable — Department of Agriculture (Note 13)	30,431	52,400
Debentures — Province of Saskatchewan (Note 7)	135,892,000	102,892,000
Total liabilities	141,914,776	106,566,351
Province's Equity:		
Equity in office equipment	$ 76,784	$ 71,498
Accumulated surplus (deficit) (Note 5) (Statement 2)	19,727	(1,255,109)
	96,511	(1,183,611)
Total liabilities and province's equity	$ 142,011,287	$ 105,382,740

(See accompanying notes to the financial statements)

FARMSTART
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED DEFICIT
For the Year Ended March 31, 1982
(with comparative figures for the 1981 year)

	1982	1981
Revenue:		
Grants from the Province of Saskatchewan (Note 6)	$ 7,933,022	$ 7,746,848
Loan interest	8,958,801	6,128,603
Short-term investment income	1,114,736	797,595
Other revenue	512,639	584,676
Total revenue	18,519,198	15,257,722
Expenditures:		
Administrative expenses (Schedule 1)	2,891,393	2,448,771
Grant program (Note 10)	1,538,089	2,082,200
Livestock loan interest rebates and guarantees (Note 8)	48,794	41,261
Interest (Note 7)	12,713,933	8,920,911
Provision for losses and bad debt expense (Notes 5 & 9)	52,153	(701,006)
Total expenditures	17,244,362	12,792,137
Excess of revenue over expenditure	1,274,836	2,465,585
Accumulated deficit, beginning of year	(1,255,109)	(3,720,694)
Accumulated surplus (deficit), end of year (Statement 1)	$ 19,727	$ (1,255,109)

(See accompanying notes to the financial statements)

FARMSTART
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended March 31, 1982
(with comparative figures for the 1981 year)

	1982	1981
Source of Cash:		
Operations for year		
Excess of revenue over expenditures	$ 1,274,836	$ 2,465,585
Items not involving cash funds:		
Increase (decrease) in allowance for losses		
— FarmStart loans	779,764	(557,949)
— cash advance	(727,611)	(143,057)
Net source of cash from operations	1,326,989	1,764,579
Proceeds from debentures	33,000,000	28,600,000
Decrease in cash advance loans	773,105	2,396,104
Increase in unexpended grants — Province of Saskatchewan	1,256,206	763,152
Increase in accounts payable and accrued interest	1,114,188	829,758
Increase in loans payable — Department of Agriculture	—	22,133
Decrease in appropriations receivable — Province of Saskatchewan	100,000	—
Total source of cash	37,570,488	34,375,726
Application of Cash:		
Increase in appropriations receivable — Province of Saskatchewan	—	100,000
Increase in accounts receivable and accrued interest on loans	2,168,018	1,385,172
Increase in FarmStart loans — net of repayments	29,540,087	27,144,136
Decrease in bank loans	—	2,500,000
Decrease in loans payable — Department of Agriculture	21,969	—
Total application of cash	31,730,074	31,129,308
Net increase in cash	5,840,414	3,246,418
Bank (overdraft), beginning of year	1,934,768	(1,311,650)
Bank and short-term investments, end of year	$ 7,775,182	$ 1,934,768

(See accompanying notes to the financial statements)

FARMSTART

NOTES TO FINANCIAL STATEMENTS
March 31, 1982

1. **Significant Accounting Policies**
   a) The records of the Corporation are maintained on the principles of fund accounting wherein the appropriations from the Legislature are segregated and transactions pertaining to each are separately accounted for.
   b) The Corporation has adopted the accrual method of accounting. Exception to this principle is made in the case of grant programs administered by the Corporation wherein the expense is not recognized until the grant payment is made. Similarly, expenses associated with guaranteeing loans extended by commercial lending institutions are not recognized until a claim for loss is submitted by the institution. (See Notes 5, 8 and 9).
   c) Office equipment is expensed during the year of purchase.
2. **Status of the Corporation**

   FarmStart is a Corporation established under The Agricultural Incentives Act, proclaimed July 3, 1973. The same Act established The FarmStart Fund through which all transactions reflected in these statements were conducted.
3. **Cash Advances**

   Under Parts VI, VII and VIII of the Regulations under The Agricultural Incentives Act, the Corporation was authorized to advance loans to cattle farmers for the purpose of maintaining their breeding stock. This program has now expired and as of March 31, 1980, all loans and accrued interest were due and payable.
4. **FarmStart Loans**

   FarmStart loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending on the year of issue. Security on individual loans varies according to what is considered adequate in the particular circumstances, and includes mortgages on real property, chattel mortgages and guarantees, as well as insurance on the lives of the borrowers.
5. **Allowance for Doubtful Accounts**

   In accordance with generally accepted accounting principles, the Corporation has established an allowance for anticipated losses on the FarmStart loans of $2,543,756 ($2,067,989 in 1981) and an allowance of $702,118 ($1,449,251 in 1981) for cash advances.

   The Corporation has made these allowances for anticipated loan losses. In the past, the Department of Finance did not deem the loss to be incurred until an individual account was written off. However, the loss as related to FarmStart loans and Cash Advance loans is now considered to be incurred when the allowance is established. Thus, in the year 1982, the Corporation was allowed to retain $1,003,470 ($1,424,540 in 1981) to offset the anticipated loan losses.

   The Corporation has made no allowance for expenses that may be incurred in honouring guarantees on outstanding loans extended by commercial lending institutions (See Notes 1(b), 8 and 9).
6. **Appropriations from Province of Saskatchewan**

   Under Section 37 of The Agricultural Incentives Act, the Minister of Agriculture is empowered to make grants to FarmStart out of monies appropriated by the Legislature. During the year ended March 31, 1982, grants were received for the payment of administration costs, administering the cash advances, interest on borrowed funds, grants made to farmers under Section 19 of the Act, losses incurred on loans extended under the Act, costs incurred by honouring guarantees made under the Act, the interest subsidy on loans extended under The Livestock Loans Guarantee Act, (see Note 8), and costs incurred by honouring guarantees made on loans extended under The Livestock Loans Guarantee Act, (see Note 8). Furthermore, the Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year. The following table summarizes activity in respect of grant monies for the year ended March 31, 1982.

GRANTS TO FARMSTART

	General Administration	Cash Advance	Interest Subsidy	Grants to Farmers	Loan Losses	Livestock Loan Guarantees	Total
1981-82							
Appropriations:							
– main estimates	$2,508,310	$ 256,340	$ 3,479,330	$2,200,000	$3,000,000	$50,000	$11,493,980
– virements & transfers	150,000	–	(774,800)	(800,000)	–	–	(1,424,800)
Total Appropriations	$2,658,310	$ 256,340	$ 2,704,530	$1,400,000	$3,000,000	$50,000	$10,069,180
Grants Proceeds Received	$2,658,310	$ 256,340	$ 2,700,000	$1,400,000	$3,000,000	$50,000	$10,064,650
Gross Expenditures	$2,825,686	$(403,523)	$12,455,552	$1,538,089	$ 779,764	$48,794	$17,244,362
Appropriations Retained to Cover Anticipated Loan Losses (Note 5)	–	–	–	–	1,003,470	–	1,003,470
Reduction (Increase) in Allowance for Losses	–	747,133	–	–	(475,767)	–	271,366
	2,825,686	343,610	12,455,552	1,538,089	1,307,467	48,794	18,519,198
Deduct Revenue	172,925	150,109	9,923,428	294,419	–	45,295	10,586,176
Net Expenditure for Purpose Specified	2,652,761	193,501	2,532,124	1,243,670	1,307,467	3,499	7,933,022
Unexpended Grants Payable	$ 5,549	$ 62,839	$ 167,876	$ 156,330	$1,692,533	$46,501	$2,131,628

7. FarmStart Borrowing

Under Section 26 of The Agricultural Incentives Act the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 29 restricts total borrowing by the Corporation to $225,000,000 of which $45,000,000 can be short-term credit as set out by the Order-in-Council 1587/77. All funds borrowed under the line of credit are at the bank's prime rate of interest.

As of March 31, 1982, the following debentures were outstanding:

Amounts	Due Date	Interest Rate
$ 2,600,000	July 2, 1994	8.58%
4,839,000	August 1, 1994	9.05%
3,733,000	September 3, 1994	8.92%
3,573,000	November 1, 1994	9.25%
3,100,000	December 2, 1994	9.07%
2,397,000	January 2, 1995	8.63%
3,576,000	February 3, 1995	8.46%
4,633,000	March 3, 1995	8.38%
1,500,000	May 1, 1995	8.65%
4,031,000	November 3, 1995	9.48%
3,155,000	December 1, 1995	8.95%
2,036,000	January 5, 1996	9.14%
3,060,000	February 2, 1996	9.07%
7,639,000	March 1, 1996	9.06%
6,399,000	April 1, 1996	9.03%
3,170,000	June 1, 1996	9.00%
5,194,000	August 3, 1996	8.98%
5,000,000	September 1, 1996	9.07%
4,657,000	May 10, 1998	9.49%
13,572,000	June 2, 2000	12.01%
5,735,000	July 3, 2000	11.82%
3,273,000	December 1, 2000	13.30%
1,648,000	January 5, 2001	13.18%
4,372,000	March 2, 2001	13.13%
9,044,000	July 2, 2001	14.81%
7,544,000	September 1, 2001	17.01%
1,551,000	November 2, 2001	17.51%
4,253,000	December 1, 2001	15.93%
5,167,000	January 4, 2002	14.51%
5,441,000	March 1, 2002	16.10%
$135,892,000		

The interest expended on each type of debt is as follows:

	1982	1981
Debenture interest	$ 12,533,076	$ 8,769,551
Bank interest	180,857	151,360
	$ 12,713,933	$ 8,920,911

8. **Guaranteed Loans Under Livestock Loans Guarantee Act**

Effective April 1, 1975, the Corporation became responsible for administration of Livestock Loan Guarantee Program under The Livestock Loans Guarantee Act. Under this program, the Minister of Agriculture guaranteed loans to livestock producers extended by commercial lending institutions. In addition, the Minister would pay each producer the interest paid in excess of 7% during the first three years of the loans. As of March 31, 1982, outstanding loans amounted to approximately $140,391 ($411,483 at March 31, 1981).

9. **Guaranteed Loans Under The Agricultural Incentives Act, 1973**

As indicated in Note 1(b), the Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions to the extent of 80% of the loan balance. Guaranteed livestock loans may be made to farmers who expand their livestock herds and at March 31, 1982, there were $720,227 in outstanding loans ($1,079,088 in 1981). Regular FarmStart clients may be approved for guaranteed operating loans to help finance the operation. At March 31, 1982, there were $266,425 in outstanding loans ($444,501 in 1981).

10. **Commitments**

As indicated in Note 1(b), the Corporation does not recognize grant expenditures until the grant payment is made. At March 31, 1982 the Corporation had outstanding grant commitments on the FarmStart Loan and Grant Program of approximately $656,150 ($857,037 at March 31, 1981).

Similarly, at March 31, 1982, there were approximately $19,395,664 ($24,422,005 at March 31, 1981) in outstanding loan commitments.

11. **Costs Borne By Other Agencies**

All seventeen offices of the Corporation are located in government buildings and accordingly, no rent is paid for the use of that space. Neither the value of these benefits received nor the costs of this space are reflected in these financial statements.

12. **Executive Salaries**

Included in the 1981-82 Salaries and Benefits classification on Schedule 1, are executive salaries of $193,525 ($162,652 in 1980-81), paid to four executives.

13. **Loans Payable — Department of Agriculture**

FarmStart administers Conservation and Land Improvement Loans for the Department of Agriculture. Interest received is recorded as a liability to the Consolidated Fund. Repayments of principal by the farmers are payable to the Department of Agriculture.

Schedule 1

FARMSTART
SCHEDULE OF ADMINISTRATIVE EXPENDITURES
For the Year Ended March 31, 1982

	1982	1981
Salaries and benefits (Note 12)	$2,218,413	$1,858,995
Travel and sustenance	224,973	193,188
Professional services	215,429	207,774
Miscellaneous administrative costs	57,620	46,065
Chattel registration fees	53,475	23,153
Printing and stationery	49,813	50,926
Data processing costs	44,256	40,314
Advertising	21,854	19,949
Purchase of office equipment	5,560	8,407
Total Administrative expenses	$2,891,393	$2,448,771